

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE CONTRACT FILING OF KENTUCKY	)
TURNPIKE WATER DISTRICT TO ASSESS	) CASE NO.
APPLICANTS A FEE FOR EXTENSION OF	) 98-475
SERVICE	)

O R D E R

IT IS ORDERED that Kentucky Turnpike Water District ("Kentucky Turnpike") shall file the original and 8 copies of the following information with the Commission within 14 days of the date of this Order, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility.

1. Refer to Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, Item 3. This response was not responsive to the interrogatory. Kentucky Turnpike determined that the estimated cost of the proposed extension is \$166,000. Show all calculations and state all assumptions used to reach this estimate. Kentucky Turnpike's response shall include a breakdown of the estimated costs for major project components (e.g., labor, equipment, piping, professional services).

2. Refer to Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, Item 6. This response was not responsive to the interrogatory. Describe how the monthly surcharge of \$21.98 was determined. Show all calculations and state all assumptions used to derive the surcharge amount.

3. Refer to Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, Item 8(b). No response was given to this interrogatory. Provide a response to this interrogatory.

4. Refer to Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, Item 10. This response was not responsive to the interrogatory. What other funding sources has Kentucky Turnpike considered to fund the expansion of its water distribution mains?

5. Refer to Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, Item 1.

- a. How much 4-inch PVC pipe will be used for the proposed extension?
- b. How much 6-inch PVC pipe will be used for the proposed extension?

6. The proposed "Water Main Extension Agreement" is conditioned upon 24 customers executing the agreement. As of the date of Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, only 23 customers have executed the agreement.

a. Does Kentucky Turnpike intend to construct the proposed water main extension if no additional customers execute the agreement?

b. (1) If no, why was this Agreement submitted for Commission review before the requisite number of potential customers executed the Agreement?

(2) If yes, does Kentucky Turnpike intend to amend this provision of the proposed Agreement?

7. Assume the following events: Kentucky Turnpike constructs the proposed main extension and 23 customers execute the proposed contract. Total estimated cost of the proposed extension is \$166,000. A monthly surcharge of \$21.98 is placed into effect for all customers connected to the extension. Two years after the proposed extension is completed, Customer 24 connects to the water main extension.

a. (1) What is the total share of the water main extension cost for which Customer 24 is obligated? Show all calculations and state all assumptions used to obtain Kentucky Turnpike's response.

(2) What is Customer 24's immediate contribution toward the cost of the water main extension?

b. How much of Customer 24's immediate contribution will be allocated to reimbursing Kentucky Turnpike for its initial \$20,000 contribution?

c. What effect, if any, will the addition of Customer 24 have on the amount of the monthly surcharge or the length of surcharge?

8. Assume the following events: Kentucky Turnpike constructs the proposed main extension and 23 customers execute the proposed contract. Total estimated cost of the proposed extension is \$166,000. A monthly surcharge of \$21.98 is placed into effect for all customers connected to the extension. Within a year of the proposed extension's completion, 29 customers have connected to the water main extension. In Year 5, Customer 30 connects to the water main extension.

a. (1) What is the total share of the water main extension cost for which Customer 30 is obligated? Show all calculations and state all assumptions used to obtain Kentucky Turnpike's response.

(2) What is Customer 30's immediate contribution toward the cost of the water main extension?

b. How much of Customer 30's immediate contribution will be allocated to reimbursing Kentucky Turnpike for its initial \$20,000 contribution?

c. What effect, if any, will the addition of Customer 30 have on the amount of the monthly surcharge or the length of surcharge?

9. Assume the following events: Kentucky Turnpike constructs the proposed main extension and 23 customers execute the proposed contract. Total estimated cost of the proposed extension is \$166,000. A monthly surcharge of \$21.98 is placed into effect for all customers connected to the extension. Within a year of the proposed extension's completion, 34 customers have connected to the water main extension. In Year 9, Customer 35 connects to the water main extension.

a. (1) What is the total share of the water main extension cost for which Customer 35 is obligated? Show all calculations and state all assumptions used to obtain Kentucky Turnpike's response.

(2) What is Customer 35's immediate contribution toward the cost of the water main extension?

b. How much of Customer 35's immediate contribution will be allocated to reimbursing Kentucky Turnpike for its initial \$20,000 contribution?

c. What effect, if any, will the addition of Customer 35 have on the amount of the monthly surcharge or the length of surcharge?

10. Administrative Regulation 807 KAR 5:066, Section 11, requires that a water utility contribute 50 feet of the cost of a proposed main extension for each applicant for water service. Assuming an estimated cost of \$166,000 for the proposed water main extension and 23 customers, Kentucky Turnpike is required to contribute \$30,130.00.<sup>1</sup> Kentucky Turnpike proposes to contribute only \$20,000 and to recover this amount from refunds owed to the original subscribers to the water main extension for subsequent connections to the water main extension.

a. Why is such a proposal reasonable?

b. How is Kentucky Turnpike's proposal consistent with the intent of Administrative Regulation 807 KAR 5:066, Section 11?

11. a. (1) Does a signatory to the proposed agreement have the option of immediately paying his or her complete portion of the water main extension cost?

(2) If yes, how will such payment affect the proposed surcharge amount?

(3) Have any of the potential connections to the proposed extension indicated a preference for such payment?

b. (1) Does a signatory to the proposed agreement have the option of paying his or her complete portion of the water main extension cost in advance?

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<sup>1</sup> Total Project Footage = 1.2 miles x 5280 feet/mile = 6336 feet.

Cost per foot = \$166,000 ÷ 6336 feet = \$26.20/foot.

Utility Contribution = \$26.20/foot x 50 feet/customer x 23 customers = \$30,130.

(2) If yes, how will such payment affect the proposed surcharge amount?

(3) Have any of the potential connections to the proposed extension indicated a preference for such payment?

12. Refer to Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, Item 4, and to the letter of Raymond Abel to the Public Service Commission of July 21, 1998. In the response, Kentucky Turnpike states that customers will make a down payment of \$3,500 and pay the remaining balance over 10 years. In his letter, Mr. Abel states a repayment period of 15 years. Which is correct?

13. Refer to Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, Item 5, and to the letter of Raymond Abel to the Public Service Commission of July 21, 1998. In the response, Kentucky Turnpike states that 23 "immediate potential customers" have expressed a desire for the proposed main. In his letter, Mr. Abel states that "24 individuals have agreed to take water." Which is correct?

14. Why was an interest rate of 6 percent used in calculating the amount of the monthly surcharge?

15. Refer to Kentucky Turnpike's Response to the Commission's Order of September 28, 1998, Item 8(a). Will customers who connect to the proposed main extension more than 10 years after the main extension's completion be required to make any contribution toward the cost of the water main extension?

16. Under what circumstances, if any, will the amount of the proposed surcharge change?

17. Assume the following: An individual executes the proposed water main extension agreement and makes the \$3,500 contribution. After making the monthly surcharge payments for two years, he sells his property.

a. What obligation does the buyer of this property have to make surcharge payments?

b. What is the source of any obligation to make such payments?

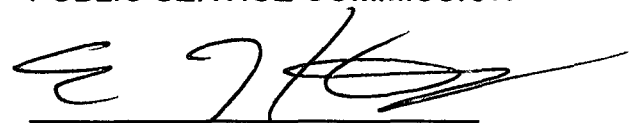
18. Does Kentucky Turnpike intend to list the proposed surcharge in its rate schedules on file with the Commission? If yes, provide the proposed revisions to Kentucky Turnpike's existing filed rate schedules.

19. Does Kentucky Turnpike intend to use the proposed extension method for other water main extensions within its service territory?

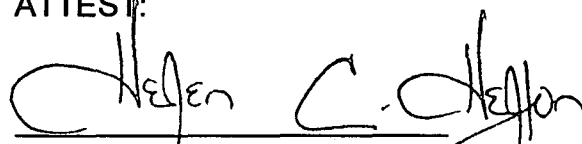
20. Provide a map of the area that the proposed extension will serve. This map should indicate existing Kentucky Turnpike facilities, the proposed water main extension, and the location of the customers who have already agreed to take water service.

Done at Frankfort, Kentucky, this 29th day of October, 1998.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director